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26 January 1961

MEMORANDUM FOR: Acting Chief, Contract Administration Branch

FROM: [] Inspection Branch

SUBJECT: Visitation Report, []
16-19 January 1961Background

Purpose of visit was to inspect the Government Owned Special Tooling charged to Projects PSC-148 and PSC-184 in possession of [] and various suppliers in the Chicago area. The total GFE, consisting of over 300 items of special tooling (primarily dies), is valued at \$176,455.90 (original cost).

The tooling has been stored by [] and the suppliers for 9 years without cost to the Government. [] offered to purchase this tooling for \$7,500 by letter dated 26 March 1959. Their offer was not accepted and was recently repeated. OC/E has since decided that no further production of ES-6 units will be required (per [])

Contacts

Initial contact was [], Contract Manager. [] expects to leave contract work sometime in February to accept a new position in [] marketing. [] emphasized that their offer of \$7,500 for the tooling was firm and that the scrap or salvage value was much less than that. He stressed that their only reason for offering anything was to relieve themselves of accountability and the expense of storing, etc. The tools are now stored at their [], which they are vacating in March or April, 1961. They are also attempting to clear out other obsolete tooling which is the property of other Government agencies. [] introduced [] a Property Administrator in the Government Accounting section. [] accompanied me during my inspections at suppliers and at Motorola during the entire 3 1/2 days. Subsequently met [] head of the Government Accounting section. All three were extremely cooperative and, I believe, straightforward and truthful in answering my questions concerning locations and conditions of tooling. Messrs [], however, thought that the \$7,500 offer was too high, in their estimation, and that they were originally in opposition to such a high offer.

Both [] are quartered in the new, modern office building constructed at the site of the []

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Park (NA-7-6000, ext 2082).

No security problems were encountered. I visited suppliers with [] and was introduced as a "Government Representative." No one requested further details.

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GFE Accountability Under Present Contracts

Explained our new system of accountability of GFE to [] and left Property Record Cards (Form 278) for his use. [] assured me that he would properly execute the cards and send them to us as soon as possible.

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Inspection of Special Tooling

No arrangements for visiting suppliers had been made by [] prior to my arrival. Therefore, the first afternoon, after lunch and brief tour of the new facility and assembly line operations, was spent in going over []'s GFE records and in calling suppliers to line up visits to their shops. This was no easy task as some suppliers resent inspections, which consume much of their time, on such short notice. Some asked for one week's notice to enable them to locate all of the tools and have them available for inspection. Many were unhappy with [] because they have been required to store and account for these dies for 9 years and have repeatedly requested disposition instructions.

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Inspections of tooling were made at the following locations. A detailed report, including weight and cubic estimates, is available in the GFE files of the Inspection Branch. Dies were stamped with [] Part No. or with Supplier's Die Number.

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- 1) B. J. Tool & Manufacturing Co.
3401 N. Knox, Chicago
Contact - []

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All 5 dies accounted for and in good condition.

- 2) Grand Sheet Metal Works
2055 N. Ruby St.
Melrose Park
Contact - []

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All 5 dies accounted for and in good condition. Botha did not have time to track down a "drill fixture," valued at \$35, but was sure that it was somewhere in the plant.

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- 3) B. Olson Manufacturing Co.
1818 West Grand Ave., Chicago
Contact - [REDACTED]

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All 14 dies accounted for and in good condition.

- 4) Angus Manufacturing Co.
1134 N. Kilbourn Ave., Chicago
Contact - [REDACTED]

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All 8 dies accounted for and in good condition.

- 5) Acord Tool Products Co.
4538 West Roosevelt Rd., Chicago
Contact - [REDACTED]

25X1

All 8 dies accounted for and in good condition.

- 6) Northern Metal Products Co.
9595 West Grand Ave., Franklin Park
Contact - [REDACTED]

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Tooling consisted of 79 dies valued at \$65,513.18. Because of time limitations I could not check out each die. This firm is one of the largest metal fabricators in the Chicago area, has thousands of dies in storage and they usually request at least 2 weeks notice in order to locate specific ones and to pull them out for inspection. I decided to conduct a spot check and picked out 12 dies, at random, from our list. There was some difficulty in locating some of them but eventually all were found and inspected. Rust was evident on some of the die shoes but was assured that this was not serious and would not impair the use of the die itself.

7) [REDACTED]

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- a) Tooling acquired by suppliers, now stored by [REDACTED]

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Ada Metal Products
6 dies accounted for

Erwood Plastics Co.
6 molds and 1 die accounted for

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1 four-cavity mold accounted for

Cherry Electrical Products Corp.

4 items listed with cost of \$965. None of these were located. [] will check further and advise.

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General Instrument Corp.

1 item listed - not located. [] will check further and advise.

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Doehler-Jarvis Corp.

4 listed charges totalling \$25,065.00 apparently apply to a large casting die. This die, weighing about 1½ tons was shipped from Doehler-Jarvis Corp., Grand Rapids, Michigan, to [] in June 1957. (Possibly Doehler-Jarvis refused to store it any longer.) [] Shipping Dept., remembers seeing it at one of [] plants in Chicago. This item could not be located. Search for it reportedly continued during the remainder of my stay in Chicago but it was not found when I left. [] will notify when located. According to [] the head of [] Purchasing Dept. who has responsibility for this tooling is already in disfavor and that this incident will probably be used as a means of transferring him.

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b) Tooling acquired and stored by []

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Dies

14 dies and fixtures spot checked

Miscellaneous

80 items with original cost of \$2,526.90 consisted primarily of small fixtures, tools, and jigs used in assembly operations. Items, along with hundreds of other GFE items for other agencies, were in process of being moved out. They were taken out of their normal storage area, placed in cartons and literally dumped on the floor on a lower level prior to moving. It was a confused state and hours were spent in locating our property in the heap of rubble. Eventually located 67 out of the 80 items. Little was found of any monetary value to [] or to the Government. Doyle was very apologetic concerning the disorganized array of the tooling and stated that had I arrived 2 weeks earlier or 2 weeks later the items would be organized on shelves.

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- 8) Grozame, Inc.
6201 Howard, Miles
Contact - [redacted]

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Grozame was listed as having "Tools" valued at \$825. Called to obtain detailed description of the tools as details were not available in [redacted] records. Was advised that they had a blanking die and a curling die for [redacted] Part #430101.

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- 9) P and K Tool and Manufacturing Co.
4700 West Le Moyne, Chicago
Contact - [redacted]

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P and K Tool was listed as having 6 dies and 5 "Tools" with a total value of \$4,297.38. Called to obtain a detailed description of the tools. [redacted] promised to call back but did not do so during my stay. [redacted] will notify. It is almost certain that the "tools" are special dies.

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- 10) Radio Condenser Co.
Midwest Sales Div.
4535 Armitage Ave., Chicago
Contact - [redacted]

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This firm is listed with custody of "Tools to produce capacitor" valued at \$15,624.00. At my request [redacted] called to obtain a description of these tools. These were located at the Watseka plant (100 miles south of Chicago) and the contact will check and itemize in a letter to [redacted] as soon as possible. It is believed that these are partial tooling charges.

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- 11) The James Knights Co.
101 E. Church St., Sandwich, Ill.
Contact - [redacted]

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Called to determine availability of a Hewlett-Packard Model 524A Frequency Counter for inspection. See paragraph - Equipment of Probable Value to the Agency.

- 12) Superior Plastics Co.
426 N. Oakley Blvd.
Contact - [redacted]

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Called Superior Plastics to set up a visit. They are listed as having a die, 6 paint spray machines and film negative for photo screen. [redacted] claimed that the "die" is actually a 2-cavity mold, which is

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available, and that the 6 paint spray machines were actually 6 paint spray masks (valued at \$40.00 each). The masks, however, could not be located as of 19 January. Apparently someone misinterpreted the word "masks" as an abbreviation for "machines" and they were so listed.

During my 3½ days in Chicago, visited or checked by phone, 12 out of the total of 41 suppliers (including [redacted]) listed as having our special tooling under PSC-148 and PSC-184. About 87% of the total value of tooling is in custody of suppliers contacted. Many of the remaining suppliers are located distant from Chicago, e.g., New York, Ohio, and Massachusetts. It is estimated that it would require the full time of one inspector for a period of 3 weeks to check each item of each supplier. To the best of my knowledge, the only item that would be of value to us or [redacted], other than scrap value, is the Frequency Counter. The remainder appears to consist of special tooling, predominantly dies, which are useable only for additional production of RS-6 units for which they were specifically designed. [redacted] representatives have assured me that they do not intend to make use of these dies and that they would be scrapped.

It is estimated that the weight of the entire lot of tooling would not exceed 9 tons. The scrap value of the tooling, figured at \$20/ton delivered, would amount to less than \$200. The cost of shipping the tooling to a scrap dealer would probably exceed the scrap value.

[redacted] representatives estimate that the cost of crating and shipping the tooling to us would amount to over \$30,000, based on previous experience with similar widely scattered tooling.

Equipment of Probable Value to the Agency

Of the 300 items listed in the inventory, only one is believed to be of possible future value to the Agency. This is a Hewlett-Packard Model 524A Frequency Counter, Serial #55 (original cost, \$2,000), located at the plant of the James Knights Co., Sandwich, Illinois. Called [redacted] in the afternoon of 16 January in order to verify its existence preparatory to inspection. [redacted] promised to check and call me the following day. (First contact with [redacted] was by [redacted], who then introduced me as a "Government representative.") Since [redacted] did not call by 11 A.M., I called and learned that the equipment was located at his plant and in operating condition. In fact, [redacted] claimed that the equipment has been and still is in daily use at his plant, apparently for checking crystals, both by his employees and by the resident U.S. Signal Corps inspector! He added that they had replaced a few diodes. This was a surprising admission on [redacted] part. Apparently he was not aware that this GFE was to be used only for the project for which it was loaned without written authorization from the U.S. Government and [redacted]. This frank admission of its operating capability was as good as any on-site inspection I could give it

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and, in addition, I thought it best to avoid discussing my identity with a U.S. Signal Corps inspector. I told him that it now looked as though I could not find time to personally inspect the equipment at this time (Sandwich is about 1½ hours driving time west of Chicago). Although this equipment is about 9 years old and has probably had considerable use, it may be of considerable value to OC/E, and/or our contractors. It may also be of interest to determine if the James Knights Co. has charged depreciation of this equipment to other Government contracts.

Conclusions

1. With one exception, all tooling in custody of the several suppliers contacted was located and inspected. The exception was a lot of 6 paint spray masks not yet located at Superior Plastics Co.

2. [] accountability for tooling in their custody was lax and unsatisfactory. Most of the tooling could not be located by 19 January 1961. Of the \$39,105.09 valuation of tooling in their custody, less than \$10,000 could be accounted for at the time of inspection.

3. The only item believed to have a value in excess of scrap value is a Model 524A Hewlett-Packard Frequency Counter, original cost, \$2,000, now 9 years old. (A later Model, 524C, presently costs \$2,300.) The total scrap value of the remainder would not exceed \$200.00. [] representatives assured me that they would not make use of the dies and that they would submit scrap warranties.

4. [] offer of \$7,500 for all tooling was generous. Even so, they are anxious to be relieved of accountability, perhaps more so since I discovered the missing tooling. Believe this to be fertile ground for negotiation and determined through discussion that they would be willing to offer \$8,500, plus return of the Frequency Counter.

Recommendation

1. Notify [] that we would be willing to accept an offer of \$8,500 for all special tooling under PSC-148 and PSC-184 with the exception of the Frequency Counter, Serial #55, which should be returned to us.

2. Give [] an alternative of paying \$10,000 for all of the special tooling, including the Frequency Counter. In the interest of expediency,

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[] may choose the latter alternative which would actually be more advantageous to the Government.

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[]
Contract Inspector

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Distribution:

Orig. and 1 - Addressee

1 - DC(C)

1 - CC-E []

1 - IB Chrono

1 - GFE File (IB)

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OL/ID/IB/ []

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